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FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC 6398
RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHGG/UN SECURITY COUNCIL COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 1484
RUEHBY/AMEMBASSY CANBERRA 0449
RUEHKA/AMEMBASSY DHAKA 4583
RUEHLO/AMEMBASSY LONDON 1980
RUEHNE/AMEMBASSY NEW DELHI 3988
RUEHUL/AMEMBASSY SEOUL 7543
RUEHTC/AMEMBASSY THE HAGUE 0642
RUEHKO/AMEMBASSY TOKYO 5099
RUEHCN/AMCONSUL CHENGDU 1169
RUEHCHI/AMCONSUL CHIANG MAI 1038
RUEHCI/AMCONSUL KOLKATA 0032
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RUEHBS/USEU BRUSSELS
RUEKJCS/JOINT STAFF WASHDC

UNCLAS SECTION 01 OF 03 RANGOON 000782

SIPDIS

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STATE FOR EAP/MLS, EB/TRA
PACOM FOR FPA
TREASURY FOR OSIA: SCHUN

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SUBJECT: VIETNAM PM DISCUSSES TRADE WITH BURMA - TALK, NO MUCH ACTION

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¶1. (SBU) Summary. During a two-day visit to Burma, Vietnamese Prime Minister Nguyen Tan Dung, accompanied by a delegation of 47 Vietnamese businessmen, met with Senior General Than Shwe, Acting Prime Minister General Thein Sein, and the Chamber of Commerce. During the meetings, the Burmese leaders emphasized the need for closer ties between the two countries and discussed ways to enhance trade and investment. Although the Burmese Minister of Energy and PetroVietnam signed a memorandum of understanding for oil and gas cooperation, the Vietnamese Embassy expressed doubt that Vietnamese companies would invest in Burma in the near future. Trade between Burma and Vietnam has improved significantly over the past three years, with Burmese exports to Vietnam up 250 percent since 2004 and Burmese imports of Vietnamese products up 50 percent during the same period. Bilateral investment from both countries, however, is virtually nonexistent. End Summary.

Burmese Seek Vietnamese Investment

¶2. (U) During his August 14-15 trip to Burma, Senior General Than Shwe and Acting Prime Minister General Thein Sein dined and Prime Minister Nguyen Tan Dung and invited him to plant a tree during his tour of the new capital, Nai Pyi Taw. Emphasizing the historical similarities between Burma and Vietnam, the Burmese senior leadership and Prime Minister Dung on August 14 discussed bilateral economic relations and ways to improve trade and investment between the two countries. Acting Prime Minister Thein Sein noted that Burma should follow Vietnam's example for economic development, and expressed his ardent wish for Vietnamese investment

in the areas of oil and gas, transportation, and general trade. Upon returning to Rangoon the evening of August 14, Than Shwe hosted an elaborate dinner and reception in the Prime Minister's honor, with more than 100 people in attendance. On August 15, the Prime Minister and his delegation met with the Chamber of Commerce to discuss further how to improve bilateral economic relations.

MOU on Petroleum the Only Deliverable

¶3. (SBU) Le Hai Chau, Vietnamese Commercial Counselor, categorized the Prime Minister's trip to Burma, which lasted less than 36 hours, as short but "somewhat successful." Despite a plethora of high-level meetings, the Burmese only secured one deliverable: the August 14 signing of a Memorandum of Understanding for strategic cooperation in the petroleum sector, signed by Burmese Energy Planning Department Director General Soe Myint and PetroVietnam Chief Executive Officer Tran Ngoc Canh. Mr. Chau informed us that the MOU did not specify any detailed cooperation, but rather was more of an invitation by the Burmese for Vietnamese investment in the oil and gas sector. Although the Burmese Government touted the MOU as a clear win for the regime, Mr. Chau noted that no Vietnamese companies are interested in investing in Burma's petroleum sector, nor any other sector, at this time.

¶4. (SBU) Mr. Chau expressed his surprise that the Burmese senior leaders and the Prime Minister did not talk about the Greater Mekong Sub-region East-West Economic Corridor, which will connect the South China Sea with the Bay of Bengal. The six countries involved -- Burma, China, Cambodia, Laos, Thailand, and Vietnam -- fully support the construction of the corridor road, he noted, but lack of financing impedes construction. Perhaps the reason the project was not discussed, Chau opined, is because the Vietnamese Government already declined the GOB's request for financial assistance. Instead, the GOB will seek funding from the Japanese for the construction of the road that will connect Mae Sot at the Thai

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Border to Mawlamyine.

New Investment Not Likely

¶5. (SBU) According to the Chamber of Commerce, Vietnamese investment in Burma totals \$3.65 million, accounting for 0.03 percent of total foreign investment. Mr. Chau confirmed this investment, which is in the medical equipment sector, but noted that there has been no new Vietnamese investment in Burma for more than 10 years. While the visiting Vietnamese business delegation made important contacts with the Burmese business sector, he explained, Vietnamese businesses continue to be concerned about Burma's poor investment climate. Companies may be willing to invest in joint ventures with other foreign companies, but even that, he noted, would be unlikely.

¶6. (SBU) The Chamber of Commerce depicted a different picture: U Aung Myint, Consultant and member of the Chamber of Commerce, told us that during the August 15 meeting, many Vietnamese companies expressed interest in investing in Burma. The Chamber of Commerce acknowledged that it plans a reciprocal visit to Vietnam in September, with a delegation of more than 20 businessmen, to investigate investment opportunities in Vietnam.

Trade On the Rise

¶7. (SBU) Mr. Chau confirmed that trade between Burma and Vietnam continues to increase annually, although the value of Burmese exports to Vietnam is much greater than imports. Between FY 2004 and FY2006, Burmese exports increased from \$16,606,648 to \$58,166,325, an increase of 250 percent. In the last year alone, exports to Vietnam rose more than 50 percent, with the largest increases occurring in the sale of minerals and timber products. In FY 2006, the export of timber and forest products to Vietnam totaled almost \$36 million, up from \$19.5 million in FY 2005. The export of minerals, primarily copper, was \$13 million in FY 2006, an increase

of 123 percent from \$5.8 million in FY 2005. The export of both timber and mineral products accounted for almost 85 percent of total exports to Vietnam in FY 2006.

Vietnam-Burma Trade, FY2004-Present
In US Dollars

Fiscal Year	Burmese Imports	Percent Change	Burmese Exports	Percent Change
2004	8,640,333	--	16,606,648	--
2005	9,859,118	14.1	38,610,118	132.5
2006	12,917,754	31.0	58,166,325	50.5
2007*	6,746,190		21,965,291	

*Through June 30, 2007

Source: Business Information Group (BIG), August 2007

Note: The Burmese fiscal year (FY) runs from April 1 to March 31.

¶18. (SBU) Burmese imports of Vietnamese products also increased during the past three years, although not at the same rate as exports. Between FY 2004 and FY 2006, Vietnamese exports to Burma increased almost 50 percent, from \$8.6 million to \$12.9 million. Vietnamese exports to Burma consist primarily of medicines, plastics, textiles, and other commodities. Mr. Chau noted that between FY 2005 and FY 2006, there was an increased demand for

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medicines and other commodities, which increased 204 percent and 107 percent respectively. The Vietnamese Embassy predicts that imports of Vietnamese products will continue to rise in the future, as the demand for plastic products, textiles, and medicines rises.

¶19. (SBU) FY 2007 trade data shows an increase in trade between Burma and Vietnam over last year's levels. According to Mr. Chau, overall bilateral trade has increased 35 percent since last year. He expects both import and export values to exceed last year's amounts by between 20-30 percent.

Comment

¶10. (SBU) The GOB continues to try to improve economic relations with the rest of Asia, in order to reduce their dependence on China and Thailand. The Burmese Government sees Vietnam as an example of what Burma can be in the future -- and seeks to strengthen ties in order to learn how to best move forward. The Burmese clearly want more investment, but fail to understand that until the investment climate improves, no Vietnamese companies, nor any foreign companies, will commit. Instead, they will only talk generally about plans for investment. The Burmese leaders do not show any comprehension that their greediness and mismanagement repels, rather than attracts, investment, despite the country's rich resources.

VILLAROSA